

MORIHARA LAU & FONG LLP  
A LIMITED LIABILITY LAW PARTNERSHIP

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2009 AUG 27 P 1:38

August 27, 2009

PUBLIC UTILITIES  
COMMISSION

The Honorable Chairman and Members of  
the Hawaii Public Utilities Commission  
465 South King Street  
Kekuanaoa Building, Room 103  
Honolulu, Hawaii 96813  
Attention: Ji Sook Kim, Esq.

Re: Docket No. 2009-0049 – In the Matter of the Application of Wai'ola O  
Moloka'i, Inc. ("WOM"), for review and approval of rate increases; revised rate  
schedules; and revised rules: WOM's Customer Notice

Dear Commissioners and Commission Staff:

Pursuant to Hawaii Revised Statutes § 269-12(c), WOM confirms that its customers and patrons were notified of the proposed change in rates, and the time and place of the public hearing with regards to the above-referenced docket by means of a customer notice mailed out to each of WOM's customers on August 17, 2009. A copy of the customer notice dated August 12, 2009 that was provided to WOM's customers, as noted above, is enclosed for your information.

Thank you for your consideration in this matter. Should you have any questions, please do not hesitate to contact the undersigned.

Very truly yours,



Michael H. Lau  
Yvonne Y. Izu  
Sandra L. Wilhide

Morihara Lau & Fong LLP  
Attorneys for Wai'ola O Moloka'i, Inc.

Enclosure

c w/enclosure:

Consumer Advocate  
Mr. Peter A. Nicholas

## WAIOLA O MOLOKAI, INC.

Date: August 12, 2009  
To: All Customers  
Subject: Public Hearing on Proposed Rate Increase  
September 3, 2009, 5:00 p.m.  
Mitchell Pauole Center Conference Room

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As you may know, Wai'ola O Moloka'i, Inc. ("WOM") filed an amended application with the Hawaii Public Utilities Commission ("PUC") on June 29, 2009, seeking approval to, among other things, increase the water rates and charges presently in effect. WOM has been authorized by the PUC to provide water service since 1993. Currently we provide water service to businesses, residences, churches and Maui County parks located in Maunaloa, Kualapuu, Kipu, Manawainui, and the Molokai Industrial Park areas on the island of Molokai.

WOM's current rates do not now and will not in the foreseeable future produce sufficient revenues to allow us to even recover our prudently incurred expenses. At present rates, WOM projects a 2009-2010 test year net operating loss of \$251,040 and a negative rate of return of 18.08% on an average rate base of \$1,388,837 (Exhibits WOM 6 and WOM 9). The proposed increase in rates and charges is designed to eliminate these current ongoing losses and to allow us to recover all of our prudently earned expenses and earn a small return. Even if our proposed increase in rates and charges is approved, WOM will likely achieve revenues that are only slightly above breakeven. Pursuant to the amended application, WOM, in effect, is seeking PUC approval for an overall net revenue increase of \$473,431, or an approximate 382.85% increase over present revenue rates.<sup>1</sup>

In order to mitigate or reduce the impact of the proposed increases on our customers, WOM is proposing a two stage phase-in of its proposed increase in rates and charges.<sup>2</sup> If approved by the PUC, Phase I is proposed to go into effect upon the issuance of an order by the PUC approving the proposed increases ("Phase I Effective Date"), and Phase II is proposed to go into effect six months after the Phase I Effective Date. This phase-in, as

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<sup>1</sup> Based on the temporary rates currently in effect and authorized pursuant to the Order Approving Temporary Rate Relief, issued in Docket No. 2008-0115 on August 14, 2008 ("Temporary Rate Order") and the Order Approving Extension of Temporary Rate Relief and Request for an Extension to File General Rate Case Applications, issued on February 28, 2009 in the same docket ("Order Approving Extension"), WOM's proposed net revenue increase amounts to \$308,431, which is an approximate 106.96% increase from the pro forma revenue amount of \$288,360 at the temporary rate for the 2009-2010 test year (Exhibit WOM 11).

<sup>2</sup> We have taken certain steps to reduce or at least mitigate the impact that these proposed increases will have on you. First, we have proposed to phase-in the increases to allow you to better plan for them. In addition, instead of seeking the normal 8-10% return on investment that the PUC generally provides to utilities, we have requested approval at this time of only a 2% rate of return on WOM's investment in its water operations. Notwithstanding this, however, and as set forth in the amended application, WOM does reserve the right to seek a higher rate of return in this and future rate case proceedings, especially if the amount of WOM's requested revenue increase is materially reduced or lowered during the course of this proceeding from what is currently being sought in the amended application.

illustrated below, delays the start of full revenue recovery by approximately 6 months for WOM if the PUC approves the new, proposed revenue requirements requested by WOM.

The following summarizes WOM's proposed increase in rates and charges to be applied in a two stage phase-in process:

	Present Rate/Charge	Temporary Rate/Charge*	Phase I Proposed Rate/Charge	Phase II Proposed Rate/Charge	Total Percent Increase
User Charge per 1000 gallons	\$ 1.85	\$ 5.15	\$ 6.6549	\$ 8.9675	384.7%
Deposit	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	0%
Service Charge – Meter Reading					
5/8"+	\$ 5.00	\$ 5.00	\$ 18.00	\$ 24.00	380.0%
3/4"	\$ 5.00	\$ 5.00	\$ 18.00	\$ 24.00	380.0%
1"	\$ 10.00	\$ 10.00	\$ 36.00	\$ 48.00	380.0%
1-1/2"	\$ 10.00	\$ 10.00	\$ 36.00	\$ 48.00	380.0%
2"	\$ 25.00	\$ 25.00	\$ 90.00	\$ 121.00	384.0%
3"	\$ 50.00	\$ 50.00	\$ 180.00	\$ 242.00	384.0%
4"	\$ 75.00	\$ 75.00	\$ 270.00	\$ 363.00	384.0%
6"	\$ 150.00	\$ 150.00	\$ 540.00	\$ 726.00	384.0%
8"	\$ 250.00	\$ 250.00	\$ 895.00	\$ 1207.00	382.8%
Tap-in-Charge per connection:					
Single Family Unit	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00	0%
Multi Family Unit	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00	0%
Commercial – meter size					
5/8"	\$ 600.00	\$ 600.00	\$ 600.00	\$ 600.00	0%
3/4"	\$ 900.00	\$ 900.00	\$ 900.00	\$ 900.00	0%
1"	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	0%
1-1/2"	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00	0%
2"	\$ 8,000.00	\$ 8,000.00	\$ 8,000.00	\$ 8,000.00	0%
3"	\$ 16,000.00	\$ 16,000.00	\$ 16,000.00	\$ 16,000.00	0%
4"	\$ 40,000.00	\$ 40,000.00	\$ 40,000.00	\$ 40,000.00	0%
6"	\$ 65,000.00	\$ 65,000.00	\$ 65,000.00	\$ 65,000.00	0%
8"	\$ 150,000.00	\$ 150,000.00	\$ 150,000.00	\$ 150,000.00	0%
Agriculture – meter size					
5/8"	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00	0%
3/4"	\$ 800.00	\$ 800.00	\$ 800.00	\$ 800.00	0%
1"	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	0%
1-1/2"	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	0%
2"	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	0%
3"	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	0%
4"	\$ 20,000.00	\$ 20,000.00	\$ 20,000.00	\$ 20,000.00	0%
6"	\$ 35,000.00	\$ 35,000.00	\$ 35,000.00	\$ 35,000.00	0%
8"	\$ 70,000.00	\$ 70,000.00	\$ 70,000.00	\$ 70,000.00	0%
Private Fire Protection Charges					
Per Hydrant	\$ 3.50	\$ 3.50	\$ 12.60	\$ 16.80	380.0%
Per Standpipe	\$ 2.50	\$ 2.50	\$ 9.00	\$ 12.00	380.0%
Others: Per in diameter of feeder main	\$ 2.50	\$ 2.50	\$ 9.00	\$ 12.00	380.0%
Reconnection Charge	\$ 50.00	\$ 50.00	\$ 100.00	\$ 100.00	100%
Inspection Charge	\$ 30.00	\$ 30.00	\$ 30.00	\$ 30.00	0%
Late Charge	1% per month	1% per month	1% per month	1% per month	0%
Dishonored Check Fee	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	0%
Penalty	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00	0%

\* As discussed more fully in footnote 2 of the amended application, pursuant to the Temporary Rate Order and the Order Approving Extension, WOM's consumption charge of \$1.85 per 1,000 gallons was temporarily increased to \$5.15 per 1,000 gallons.

In addition to the above, WOM is also requesting that it be authorized to establish an Automatic Power Cost Adjustment Clause, which permits adjustments for electric costs during the year.

The PUC will review all of WOM's requests described above and in its amended application and other supporting materials submitted as part of the record, and render a decision after receiving input from the Consumer Advocate's office, which is statutorily responsible for representing, protecting and advancing the interests of all customers. Regarding our water operations, the total revenue requirements for the 2009-2010 test year will not exceed the \$473,431 annual revenue increase over revenues at present rates that we request. Please note, however, that the increase in rates and charges to be finally approved by the PUC, if any, may be higher or lower than the proposed water rates and charges noted above.

The PUC has scheduled a public hearing on this proposed rate increase to allow WOM's customers to state their views to the PUC. WOM's customers are invited to attend this public hearing to find out more about the proposed increases and voice any concerns.

**Public Hearing To Be Held September 3, 2009 at 5:00 p.m.**

The PUC's public hearing on the proposed action will be held as follows:

**DATE:** September 3, 2009  
**LOCATION:** Mitchell Pauole Center Conference Room  
90 Ainoa Street  
Kaunakakai, Molokai  
**TIME:** 5:00 p.m.

We encourage you to attend. Copies of WOM's amended application are available for public viewing at WOM's Molokai office located at 100 Maunaloa Highway, Maunaloa, HI 96770 between the hours of 8:00 a.m. and 3:00 p.m.; Phone: (808) 552-2444.

WOM is here to serve you. We believe this proposed rate increase will allow us to better serve you and the surrounding community.

We thank you for your consideration.



Elaine Hammond  
Treasurer  
Waiola O Molokai, Inc.